

State of Alaska FY2007 Governor's Operating Budget

Department of Revenue AMBBA Operations RDU/Component Budget Summary

RDU/Component: AMBBA Operations*(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)***Contribution to Department's Mission**

The mission of the Alaska Municipal Bond Bank is to provide municipalities with financing options for capital projects.

Core Services

- Issue bonds to make loans to municipalities for capital projects at lower rates than the municipalities would incur elsewhere.
- Help municipalities gain experience in financial markets and establish a positive credit history.
- Monitor opportunities to issue bonds to refinance existing debt.

End Results	Strategies to Achieve Results
A: Municipalities will lower their cost of financing. <u>Target #1:</u> 100% of new financings will result in savings. <u>Measure #1:</u> Percent of new financings that result in savings to the issuer divided by the total number of new financings. <u>Target #2:</u> 100% of advance refinancing will result in at least 3% savings to the issuer. <u>Measure #2:</u> Percent of advance refinancings that result in savings of at least 3% to the issuer divided by the total number of advance refinancings. <u>Target #3:</u> 100% of current refinancing will result in at least 2% savings to the issuer. <u>Measure #3:</u> Percent of current refinancings that result in savings of at least 2% to the issuer divided by the total number of current refinancings.	A1: Increase percentage of (statewide) municipal bond deals done by Alaska Municipal Bond Bank. <u>Target #1:</u> The Bond Bank will finance 100% of the deals done statewide by municipalities with less than A2 ratings. <u>Measure #1:</u> (1) The dollars of bonds issued by the Bond Bank (for less than A2 credits) divided by the total number of dollars issued statewide by less than A2 creditors; (2) The number of bond issues (for less than A2 credits) divided in to the number of bond issues

FY2007 Resources Allocated to Achieve Results

FY2007 Component Budget: \$778,000	Personnel:	
	Full time	1
	Part time	0
	Total	1

Performance Measure Detail**A: Result - Municipalities will lower their cost of financing.**

Target #1: 100% of new financings will result in savings.

Measure #1: Percent of new financings that result in savings to the issuer divided by the total number of new financings.

New Financings That Resulted in Savings

Fiscal Year	Percent
FY 2002	100%
FY 2003	100%
FY 2004	100%
FY 2005	100%

Target #2: 100% of advance refinancing will result in at least 3% savings to the issuer.

Measure #2: Percent of advance refinancings that result in savings of at least 3% to the issuer divided by the total number of advance refinancings.

Advance Refinancings that Resulted in Savings of at Least 3%

Fiscal Year	Percent
FY 2002	N/A
FY 2003	N/A
FY 2004	N/A
FY 2005	100%

Analysis of results and challenges: There were no advance refinancings in FY2002, FY2003 or FY2004. In FY2005 there were two series of bonds issued that provided for advance refinancings of outstanding bonds for nine communities. Advance refinancings are on a demand basis and dependent on market conditions therefore we have not projected activity for FY2006 or FY2007.

Target #3: 100% of current refinancing will result in at least 2% savings to the issuer.

Measure #3: Percent of current refinancings that result in savings of at least 2% to the issuer divided by the total number of current refinancings.

Current Refinancings that Resulted in Savings

Fiscal Year	Percent
FY 2003	100%
FY 2004	100%
FY 2005	100%

Analysis of results and challenges: There was one current refinancing in FY2003, two in FY2004, and one in FY2005 which resulted in a savings to the municipalities in excess of the requisite 2%. The refundings are on a demand basis and contingent on market conditions therefore we have not projected activity for FY2006 or FY2007.

A1: Strategy - Increase percentage of (statewide) municipal bond deals done by Alaska Municipal Bond Bank.

Target #1: The Bond Bank will finance 100% of the deals done statewide by municipalities with less than A2 ratings.

Measure #1: (1) The dollars of bonds issued by the Bond Bank (for less than A2 credits) divided by the total number of dollars issued statewide by less than A2 creditors; (2) The number of bond issues (for less than A2 credits) divided in to the number of bond issues

Statewide Municipal Bond Deals Financed by AMBBA

Fiscal	Bonds Issued	# of Loans	# of Communities	% of Dollars	% of < A2
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Year				Issued	Communities
FY 2004	\$113 million	13	11	79%	92%
FY 2005	\$123 million	18	14	61%	93%

Analysis of results and challenges: There is no central database where all debt issued statewide exists. The success of our collection of this data will depend largely on the willingness of the municipalities to respond to our requests for information. For FY2004 the bond bank issued \$113 million in 13 loans to 11 communities. This represented 79% of the total dollars issued and 92% of the total communities (for communities with less than an A2 rating). For FY2005 the bond bank issued \$123 million for 18 loans to 14 communities. This represented 61% of the total dollars issued, 95% of the borrowings for communities, and 93% of the total communities borrowing (for communities with less than an A2 rating).

Key Component Challenges

FY2005 saw a continuation of heightened borrowing/lending activity of the AMBBA. From FY2004 to FY2005 outstanding debt increased by 19% to an outstanding balance of \$398.1 million on June 30, 2005. This leaves \$101.9 million that the AMBBA can issue under its statutory limitation of \$500 million. This limitation, previously set at \$300 million, was increased to the current \$500 million during the 2003 legislative session. The AMBBA will continue to seek to maintain the diversity of the municipalities in the pool, including attempts to attract stronger municipalities with stronger credit ratings. Having a portfolio of borrowers that is diversified as regards credit strengths will help ensure the Bond Bank maintains its favorable credit rating.

Significant Changes in Results to be Delivered in FY2007

With the increase in the statutory limitation on debt issuance of AMBBA during the first session of the 23rd Legislature, the AMBBA will redouble effort to add municipalities to the pool. This is of particular concern due to rating agency concern over credit concentration with the largest participant in the pool. With the continued success of the program, a further increase in the statutory limitation on debt to \$750 million will be requested in the second session of the 24th Legislature.

Major Component Accomplishments in 2005

During FY2005 the AMBBA completed six bond issues for a total of \$123 million. Of this amount, \$78.4 million funded projects in the communities of North Pole, Adak, Kodiak, Petersburg, Palmer, Juneau, Anchorage and Sitka. These communities are estimated to have saved over \$14.8 million in reduced issuance costs and lower interest expense. Additionally, the Bond Bank entered into amended loan agreements on ten existing bond issues and purchased \$41 million in municipal bonds. The refinanced bond issues resulted in approximately \$1.9 million in savings to the borrowing communities.

Statutory and Regulatory Authority

AS 44.85 Alaska Municipal Bond Bank Authority

Contact Information

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**AMBBA Operations
Component Financial Summary**

All dollars shown in thousands

	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	71.4	79.6	84.3
72000 Travel	10.0	10.1	10.1
73000 Services	520.7	627.4	679.8
74000 Commodities	0.7	3.8	3.8
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	602.8	720.9	778.0
Funding Sources:			
1104 Alaska Municipal Bond Bank Receipts	602.8	720.9	778.0
Funding Totals	602.8	720.9	778.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Municipal Bond Bank Receipts	51417	602.8	720.9	778.0
Restricted Total		602.8	720.9	778.0
Total Estimated Revenues		602.8	720.9	778.0

**Summary of Component Budget Changes
From FY2006 Management Plan to FY2007 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2006 Management Plan	0.0	0.0	720.9	720.9
Adjustments which will continue current level of service:				
-FY 07 Wage Increases for Bargaining Units and Non-Covered Employees	0.0	0.0	1.5	1.5
-FY 07 Health Insurance Cost Increases for Bargaining Units and Non-Covered Employees	0.0	0.0	0.1	0.1
-FY 07 Retirement Systems Cost Increase	0.0	0.0	2.9	2.9
-FY2007 Wage, Health Insurance, Retirement, and Risk Management Increases for Division of Personnel	0.0	0.0	0.1	0.1
Proposed budget increases:				
-To charge the Municipal Bond Bank for accounting and overhead charges	0.0	0.0	52.3	52.3
-Risk Management Self-Insurance Funding Increase	0.0	0.0	0.2	0.2
FY2007 Governor	0.0	0.0	778.0	778.0

**AMBBA Operations
Personal Services Information**

Authorized Positions			Personal Services Costs	
	<u>FY2006</u> <u>Management</u> <u>Plan</u>	<u>FY2007</u> <u>Governor</u>		
Full-time	1	1	Annual Salaries	59,315
Part-time	0	0	COLA	1,597
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	25,883
			Less 2.87% Vacancy Factor	(2,495)
			Lump Sum Premium Pay	0
Totals	1	1	Total Personal Services	84,300

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
State Investment Officer II	0	0	1	0	1
Totals	0	0	1	0	1